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SUBJECT: OMANI FOREIGN MINISTER READOUT OF GCC SUMMIT

REF: MUSCAT 877

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b, d)

¶1. (C) Summary: In a January 4 meeting with the Ambassador, Oman's foreign minister stated that Gulf leaders at the GCC Summit in Muscat agreed to move ahead with plans for a common currency - without Omani participation - despite the bleak global financial environment. Due to intense competition between GCC states, a decision on the location of the proposed Central Bank was postponed for another year. To help address concerns regarding the security of India and Pakistan, the GCC tasked Oman with developing a written proposal to establish a regional mechanism focused on preventing funds from expatriates working in the Gulf from flowing to organizations supporting terror in South Asia. Although Summit participants voiced concerns regarding Iran, no common position or statement was reached regarding GCC relations with Tehran. GCC deliberations over the situation in Gaza are reported elsewhere. End Summary.

¶2. (C) During a meeting with the Ambassador to discuss the recent GCC Summit (reftel), Omani Minister Responsible for Foreign Affairs Yusef bin Alawi confirmed that leaders of the Gulf states, minus Oman, agreed to continue preparations for the planned launch of a common currency before the end of ¶2010. (Note: Omani officials have firmly chosen to opt out of the monetary union. End Note.) Bin Alawi stated that participants acknowledged that the GCC faced a much different, and decidedly gloomier, global economic environment since the last Summit, but saw no need for a major change in plans since the common currency was a "long-term" goal. According to the Omani minister, both Bahrain and the UAE made very strong pitches at the Summit in support of their bids to host the proposed GCC Central Bank. Qatar and Saudi Arabia, however, refused to give up their respective claims to play host to the bank and as a result, a decision on the location of the new institution was put off for another year.

¶3. (C) Reflecting strong concerns in the GCC over the fragile India-Pakistan relationship, GCC leaders agreed at the Summit to assemble a "regional mechanism" to help the two South Asian nuclear powers maintain security and combat terrorism. The main focus of this mechanism, bin Alawi explained, would be to prevent the flow of funds from Indian and Pakistan nationals working in the Gulf to organizations in their home countries that conducted or supported terrorist operations. A broadening of the exchange of security information between relevant states was also possible. Summit participants tasked Oman with putting together a written proposal for this new mechanism which, once approved by the entire GCC, would be forwarded to India and Pakistan for consideration.

¶4. (C) Bin Alawi said that as expected, a fair amount of discussion at the Summit centered on Iran. The Saudis in particular voiced concerns over the threat Iran posed to regional security and its trouble-making in Iraq, Lebanon and

elsewhere. No common position or statement concerning Iran could be reached, however, except for the standard language in the final communique supporting the UAE in its dispute with Tehran over ownership of three Gulf islands (Abu Musa, Tunb and Lesser Tunb). Each GCC country accordingly is free to pursue its relations with Tehran independently.

15. (C) Comment: The location of the future GCC Central Bank remains one of the most contentious and divisive issues among Gulf states. None of the four potential hosts (Saudi Arabia, Qatar, Bahrain and the UAE) has shown signs of backing down from their bids to host the bank. Contacts indicate that the UAE is especially adamant that it serve as the bank's headquarters, going so far as to indirectly threaten to opt out of the common currency if it is not selected as the venue. Finally, other senior Omani officials reported that a goal for this summit from the Omani perspective was to get it over with as quickly and with as little fanfare as possible. The Gaza crisis upset their plans for a problem-free summit, but the Omanis nevertheless pursued their original game plan, leaving most of the fireworks over Gaza to the fiery language of the final statement. As it was, however, the Omanis thought they had orchestrated a proper summit, free of the antics and histrionics sometimes seen at other Arab gatherings and which it is known the Sultan detests. End Comment.
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